

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Island Boat Service
(VCC-80) For Authorization to Increase
Passenger Fares on Its Vessel Common
Carrier Service on Catalina Island and for
Zone of Rate Freedom

Application No. _____

_____ /

Dated: January 30, 2023

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Island Boat Service (VCC-80)
For Authorization to Increase Passenger Fares
on Its Vessel Common Carrier Service
Between Vessels and ShorePoints and
Between all Points and Places On or Within
Three Miles of Santa Catalina Island and For
Zone of Rate Freedom

APPLICATION

By this Application, ISLAND BOAT SERVICE (“Applicant” or “IBS”) (VCC-80) hereby respectfully applies to the Public Utilities Commission of the State of California (“Commission”) for authorization to increase passenger fares on its vessel common carrier non-scheduled service between vessels and shorepoints and between all points and places on and within here (3) miles of Santa Catalina Island.

INTRODUCTION

In support of its Application and pursuant to Public Utilities Code section 454 and Public Utilities Commission Rules (“Commission Rule(s)”) 2.1 and 3.2, Applicant alleges as follows:

1. The exact name of Applicant is Island Boat Service, a corporation which has been duly organized and is existing under and by virtue of the laws of the State of California. Its principal place of business/mailling address is 150 Metropole Ave./P.O. Box 811, Avalon California, 90704. Its telephone number is (310) 510-2000. A certified copy of its Articles of Incorporation is already on file with the Commission in File No. VCC-80 as originally filed in Application # 97-03-007. Island Boat Service is a wholly owned subsidiary of Santa Catalina Island Company, a Delaware corporation.
2. Pursuant to Commission Rule 2.1(b), notices, correspondence and communications with respect to this Application should be addressed to the Applicant’s attorney:

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With a copy to the Applicant's Executive Vice President:

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SCOPE OF INFORMATION FOR THE PROCEEDING

1. **Issues.** For scoping purposes, the issues presented by this Application are:
 - (1) That the requested increases in base passenger fares are justified, necessary and reasonable;
 - (2) That the projected Operating Ratio that would result from the proposed increase is within the reasonable range of prior Commission approvals for vessel passenger common carriers;
 - (3) That it is reasonable for the Commission to authorize Applicant to adjust fares within a Zone of Rate Freedom ("ZORF") for up to twenty percent (20%) above and below its base fares.
2. Pursuant to Rule 2.1(c), Applicant proposes that this Application be processed as a Rate Setting Proceeding, without need for a hearing. While Applicant does not anticipate the need for hearings, should the Commission decide that hearings are necessary, Applicant requests a Commission decision as quickly as possible and completes the Schedule section of the scoping memo as follows:
 - a. Prehearing Conference – 40 days after date of notice of the application in the Daily Calendar;
 - b. Hearings – 30 days after prehearing conference;

- c. Submission – At the completion of any hearing;
- d. Proposed Decision – 30 days after submission; and
- e. Final Decision – First Commission agenda possible.

BACKGROUND

3. On or about May 27, 1999, the Public Utilities Commission of the State of California granted Applicant a Certificate of Public Convenience and Necessity as a Vessel Common Carrier, authorizing Applicant to conduct common carrier services by vessels, for the transportation of passengers and their baggage and property between vessels and shorepoints and between all points and places on or within three (3) miles of Santa Catalina Island, subject to the following conditions:

- a. No vessel shall be operated unless it has met all applicable safety requirements, including those of the United States Coast Guard.
- b. Non-scheduled service shall be operated on an on-call basis. The term “on-call” refers to service which is authorized to be rendered dependent on the demands of passengers. The term “charter” refers to service in which the vessel is engaged, for a specified charge, by a person or group of persons for the exclusive use of said person or group of persons. The tariffs shall show the conditions under which each authorized on-call or charter service will be rendered.

See Decision No. 99-05-050 on Application No. 97-03-007, dated May 27, 1999.

4. Under the authority of and in compliance with PUC Decision No. 99-05-050, Applicant issued its Tariff on June 23, 1999. Pursuant thereto, Applicant provides three categories of on-call services to passengers:

- a. On-call Ship to Shore (Tendering Service): Applicant provides tendering service between ocean-going ships anchored within three (3) miles of Santa Catalina Island and all points and places on Santa Catalina Island at contract rates determined in negotiations with individual ocean-going shipping clients, including, for example, hourly rates, daily rates, per-passenger rates or per-manifested passenger rates.
- b. On-call Individual Fare Service: Applicant provides Individual Fare Service between Avalon and Two Harbors on Catalina Island, or the intermediate points.

- c. Charter Service: Applicant provides Charter Service between any of the coves, campsites, and other points and places on Santa Catalina Island.

5. Applicant has amended its Tariff on several occasions. On May 1, 2018, Applicant submitted an amendment (a) deleting language that was outdated and superfluous (e.g., promotional fares and that had long since expired); and, (b) updating its fleet information and the conditions upon which Applicant would offer on-call service.

6. Recently, on June 29, 2022, the PUC approved Commission Resolution TL-19139 which provided a 20% fuel surcharge increase in fare service for all carriers without a Zone of Rate Freedom, including Applicant, for the limited time period of July 1, 2022 – June 22, 2023¹.

7. *Since first issuing its Tariff on June 23, 1999, Applicant has not sought a rate increase.*

ON-CALL INDIVIDUAL FARE SERVICE OFFERED BY IBS.

8. Applicant has offered On-Call Individual Fare Service (the “Service”) since receiving its authority in 1999. In 2016-2017, Applicant began seeing a greater demand for Service between Avalon and Two Harbors. In 2017, Applicant acquired the Cyclone to meet the increased demand for Service, however, due to the California Air Resources Board (the “CARB”) limitations, Applicant could only operate the Cyclone for three hundred hours during the 2017 season due to its engine type. In 2018, the engines aboard the Cyclone were repowered with the cleanest available engines and, as a result, Applicant was able to offer the Service for the full season. The Service is currently offered for passenger travel to and from Avalon and Two Harbors and is subject to passenger demand. Applicant has seen a demand for this Service and during peak summer months there is sufficient demand to operate the Service almost daily.

9. The alternative transportation options between Avalon and Two Harbors are considerably more expensive:

- a. Catalina Express: IBS understands that Catalina Express offers a limited service during certain times of the year between Avalon and Two Harbors Monday – Thursday (sometimes on the weekends). Generally speaking, the boat leaves

¹ As a result of the significant increase in fuel prices in 2022, the PUC offered this increase in rates for a limited time period. Thus, while the temporary authorization addresses changes in fuel prices, it does not address the numerous other factors that have increased Applicant’s cost of doing business over the last twenty-two (22) years.

Avalon at 9:15 a.m. and returns from Two Harbors at either 2:15 p.m. or 4:45 p.m. Based on IBS's last inquiry, we understand that when these tickets are offered, **one-way tickets are \$26.00**. Tickets cannot be booked online; rather, they are only available at the ticket offices on the day of travel.

- b. Taxi: The rate to take a taxi from Avalon to Two Harbors is **\$250.00 one-way**.
<https://www.catalinataxiandtours.com/interior-shuttle>
- c. Bus: It is possible to travel between Avalon and Two Harbors by bus. The route would require passengers to take buses operated by two different entities, with a total **one-way ticket price of \$59.00**.
- d. Private Charter: IBS's standard charter rate is **\$550.00 per hour**.

THE REQUESTED PASSENGER FARE INCREASE.

10. By this filing, pursuant to Section 454 of the Public Utilities Code, Applicant requests the Commission increase the base passenger fares for its On-Call Individual Fare Service, which were last approved in June of 1999. Applicant is not seeking an increase to its Charter rates at this time.

11. **Applicant's Rates Without the Temporary Fuel Surcharge.** Applicant's standard base passenger fare for its On-Call individual Are Service approved in 1999 is \$15.00 for adults and children, \$0 for infants, and \$3.00 for bikes/surfboards.

12. Table 1 summarizes the standard base fares for Applicant's tickets and the proposed new fares:

<u>Table 1: Avalon/Two Harbors One-Way Passenger Fares</u>		
<u>Without the Temporary Fuel Surcharge</u>		
Fare Category	Last Approved Fare	Proposed New Fare
Adult	15.00	33.00
Child	15.00	33.00
Infant	0	0
Bike/Surfboard	3.00	8.00

13. **Applicant's Temporary Rates for the Period July 1, 2022 – June 22, 2023.** Effective July 1, 2022, Applicant amended its Tariff to apply a temporary 20% fuel surcharge to its base passenger fare for the time period July 1, 2022 to June 22, 2023. During this limited

period, Applicant's base passenger fare for this On-Call Service is **\$18.00** for adults and children, \$0 for infants, and \$3.60 for bikes/surfboards.

14. Table 2 summarizes the base fares for Applicant's tickets with the temporary fuel surcharge applied, and the proposed new fares:

<u>Table 2: Avalon/Two Harbors One-Way Passenger Fares</u>		
<u>With the Temporary Fuel Surcharge</u>		
Fare Category	Last Approved Fare	Proposed New Fare
Adult	18.00	33.00
Child	18.00	33.00
Infant	0	0
Bike/Surfboard	3.60	8.00

A more detailed explanation of the proposed rate increases and their impact on the Applicant's gross revenue is attached hereto as **Exhibit G**.

JUSTIFICATION FOR THE REQUESTED PASSENGER FARE INCREASES.

1. Applicant has not received a rate adjustment since receiving its operating authority in 1999.
2. Operation costs have increased substantially since 1999 and the current passenger rates are not sustainable:
 - a. **Labor Costs.** Since 1999, the hourly rate for full time crew ranged from \$11.00 – \$16.50 an hour. Today, hourly rates for full time crew range from \$36.43 - \$105.78 an hour.
 - b. **Fuel Costs.** Since 1999, fuel prices have drastically increased. Based on our investigation, in 1999, the average blended rate for fuel was \$1.70 per gallon. In 2020, the average blended rate for fuel was \$3.43 per gallon. In 2021 alone, Applicant experienced a nearly **20%** increase in fuel costs.
 - c. **Inflation.** The rate of inflation is determined by the Consumer Price Index released by the U.S. Bureau of Labor Statistics ("BLS"). Inflation has been calculated at 2.13% per year between 1999 and the 2021. According to the BLS, \$100 in 1999 was the equivalent in purchasing power to \$177.77 in 2021. Moreover, BLS reports an **8.2 % percent increase** in the Consumer Price Index

for All Urban Consumers between September 2021 and September 2022. Thus, current prices are approximately 1.84 times higher than 1999.

d. **Vessel Upgrades and Environmental Compliance Costs.**

- i. In 2017, Applicant saw an increased demand for On-Call Individual Fare Service between Avalon and Two Harbors.
- ii. In May 2017, Applicant invested more than \$830,000 to purchase the Cyclone, which can comfortably seat up to 100 passengers and quickly transport them the distance to Two Harbors. Because of the Cyclone's greater capabilities, Applicant was able to reduce the length of the one-way trip between Avalon and Two Harbors almost in half, bringing the one-way trip time to forty minutes. However, due to age of the Cyclone's engines, the vessel could only operate 300 hours in accordance with the low-use exemption established by the California Air Resources Board ("CARB") Commercial Harbor Craft regulations. The low-use restriction of 300 hours allowed Applicant to operate only 150 trips between Avalon and Two Harbors. This was not sufficient to meet the demand for the Service.
- iii. In 2018, Applicant invested \$797,703 to repower the Cyclone, replacing its engines with the cleanest available engines. As a result of the repower, Applicant was able to increase its level of Service to meet demand. In 2018, Applicant provided 241 trips. In 2019, Applicant provided 470 trips. In 2020, the number of trips declined due to COVID-19.

e. **Regular Vessel Repair Costs.** The cost to maintain and repair the vessels are highly volatile and a pattern that includes substantial increases over time. With increasing and quickly evolving emissions and safety standards, it is reasonable to expect that the Service will incur additional costs for vessel maintenance and repair in the following year and every other year thereafter.

f. **COVID 19.** In 2020, COVID-19 eroded revenue and increased operation costs. It shortened the standard high season of 6-months, to 3-months. Island visitation numbers went down significantly year-over-year. Once operations returned, vessel capacity was cut by 50% throughout 2020. The amount of labor required

to operate the vessels and required PPE increased to comply with sanitization protocols.

3. The costs identified above are expected to continue to increase in the coming years. In particular, in calendar year 2023, IBS has projected increases in the cost of administrative expenses, fuel, yard work and maintenance and repair.

4. Furthermore, Applicant's Operating Ratio supports the rate increase.

5. Applicant submits Annual Reports to the Commission that set out Applicant's income from the passenger fares collected for the Service and some of the expenses incurred to operate the Service. IBS's 2021 report is summarized below in Table 3. As explained in greater detail below, the Annual Reports have historically failed to account for the full cost to operate the Service.

Table 3: Applicant's 2021 Annual Reporting

	2021
Gross Revenue	\$414,031
Reported Expenses	\$762,682
NET REVENUE	\$348,651

As IBS continued to finalize its accounting, the year-end financials reflected an even greater loss. The final total cost accounting figures are reflected in Table 4.

6. Historically, the Annual Reports did not provide a full accounting for the Service. As a result of internal accounting, a number of costs were accounted for at the parent company level. It is only recently that Applicant has undertaken a full accounting for the Service. The costs that have not been fully reflected in the past Annual Reports include administrative costs, insurance, maintenance and repair costs for the vessels, the cost of vessel upgrades, depreciation, etc. Applicant's full cost accounting was reflected for the first time in its 2021 Annual Report and will be reported on a going forward basis.

7. Tables 4 and 5 below provide a full accounting of the costs incurred to operate the Service and reflect larger losses driving the need for an increase in the passenger rates:

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Table 4: Full Accounting Actual and Projected Expenses

Categories of Expenses	Actual 2020	Actual 2021	Projected 2022	Theoretical Next Year (Projected '23)
Crew Labor Expenses	\$74,705	\$83,283	\$124,026	\$124,026
Equipment & Leases	\$394	\$328	\$664	\$664
Maintenance & Repair	\$24,218 ²	\$63,137 ³	\$50,951 ⁴	\$50,951
Operating Supplies (fuel, lubricants, uniforms, etc.)	\$45,295	\$67,418	\$140,369	\$140,369
Contracted Services, Fees, Licensing Costs, Rent and Dockage, Utilities and Related Costs	\$43,044	\$50,645	\$23,748	\$23,748
Depreciation	\$153,282	\$187,338	\$160,865	\$160,865
Insurance and Property tax	\$62,901	\$108,021	\$106,603	\$106,603
Overhead/Administrative Costs	\$249,454	\$235,161	\$256,908	\$256,908
CapEx reserve @ 4% of revenue	\$11,332	\$16,561	\$18,042	\$19,618
TOTAL	\$664,625	\$811,892	\$882,176	\$883,752

Table 5: Full Accounting Net Revenue for the Service

	Actual 2020	Actual 2021	Projected Year ('22)	Theoretical Next Year With the Rate Increase ('23)	Theoretical Next Year Without the Rate Increase ('23)
Gross Revenue	\$283,290	\$414,031	\$451,038	\$899,161	\$451,038
Total Expenses	\$664,625	\$811,892	\$882,176	\$883,752	\$883,752
NET REVENUE	-\$381,335	-\$397,951	-\$431,138	\$15,399	-\$432,714

² In 2020, COVID 19 resulted in lower maintenance and repair costs, which correspond to the reduction in the length of the traditional high season of 6-months, to 3-months and reduction in island visitation.

³ In 2021, IBS experienced increased maintenance and repair costs from repainting a portion of the vessel.

⁴ In 2022, IBS expects maintenance and repair costs consistent with those incurred in 2021 as it must complete the required repainting of the vessel.

8. The Operating Ratio (OR), or expenses as a percent of revenue, is a common method for expressing profitability for transportation companies. *In the Matter of the Application of Balboa Island Ferry, Inc.*, 2020 WL 1667248 at p. 4. An OR within the range of 90 – 100% has been considered an acceptable ratio. An OR greater than 100% demonstrates that a company is “unprofitable” in terms of revenue generated. *Id.* In the absence of a rate increase, the Service will not be profitable.

Table 6: Operating Ratio

	Full Accounting Scenario	Operating Ratio
2020	Actual 2020	234%
2021	Actual 2021	196%
2022	Projected 2022	196%
2023	Next Theoretical Year <u>without</u> an Increase in Rates	196%
2023	Next Theoretical Year with the Rate Increase	98%

9. **No Governmental Subsidies Contributing to Operating Costs.** Applicant does not receive any subsidies for operating costs from federal, state, regional or local government agencies for the Service. Passenger fares are the only source of revenues for this Service.⁵

10. **The Proposed Fare Increase is Reasonable.**

- a. Applicant has taken care to set the proposed new rates at levels that would not discourage ridership or negatively affect demand. While material for Applicant, this is only a moderate increase for the service provided, particularly when compared to the cost of alternative transportation options between Avalon and Two Harbors.
- b. Applicant’s rates have not increased since 1999. As discussed above, the cost to operate have increased dramatically since 1999 (labor, fuel, maintenance, regulatory compliance) and, expenses have exceeded revenue for several years. the requested increase is needed to bring the passenger rates in line with market rates and to make the Service profitable.

⁵ This factor was previously considered by the Commission in various decisions. See Commission Decision 16-12-048, Commission Decision No. 07-07-015, Commission Decision No. 10-04-043.

- c. Applicant's competitors are providing similar services at higher rates, further demonstrating that the current rate increase is reasonable and warranted. For instance, Catalina Express at times offers on-call individual fare service for **\$26.00 for a one-way trip between Avalon and Two Harbors.**⁶ Moreover, Catalina Taxi and Tours, a private car taxi charges **\$250 between Avalon and Two Harbors one way.** Bus service is seasonally available at **\$59.00** one way. The available bus services are currently not running. The rate for a private charter would be in the range of **\$550.00 per hour.** Accordingly, the requested rate increases are reasonable.
11. Additionally, the proposed new rates will result in a reasonable operating ratio of 98%.
12. **The Increases are in line with Commission's Prior Decisions on Requested Fare Increases for Similar Services.** The fare increases requested in this Application that would result in a reasonable and necessary increase in profit for the carrier are on a par with other requested rate increases approved by the Commission in the following decisions:
 - a. **Commission Decision 21-08-028:** On September 19, 2021, the Commission granted Star & Crescent Boat Company's application to increase its one-way fares between the City of Coronado and the City of San Diego from \$5.00 to \$7.00 per passenger. The Commission noted that the increase would result in a **9.88% profit for 2021, which is an OR of .988.** Footnote 11 stated "The Commission's practice has been to evaluate rate increase proposals for vessel utilities by reviewing their operating ratio. 'Operating Ratio' has been defined as the ratio of operating expenses, including depreciation expenses and taxes, to gross revenue. It shows the proportion of annual gross revenues which are required to meet the costs of doing business before compensation to investors." The Commission cited Catalina Passenger Service, Inc. 45 CPUC 2d 424 (1992) (D.92-09-040) and the following decisions that have approved requests for fare increases with similar operating ratios: D.18-10-012, D.16-12-050, D.16-12-048, D.10-05-045 and D.08-07-036.

⁶ This was current as of early 2022; however, Catalina Express has a 20% Zone of Rate Freedom. See Commission Decision No. 08-07-036. Thus, the actual rate likely exceeds \$26.00 per ticket.

- b. **Commission Decision 20-02-055:** In this decision, the Commission approved a rate increase for a Vessel Common Carrier (“VCC”) for a one-way ferry service from \$1.00 to \$1.25 for pedestrians and from \$1.25 to \$1.50 for bicyclists and from \$2.00 to \$2.25 for vehicles between Balboa Island and the Balboa Peninsula in the City of Newport Beach. The Commission additionally granted Applicant’s request for ZORF up to 20% noting the need for fare flexibility as this is the Applicant’s only source of revenue and the ZORF provided the flexibility to determine fares based on market forces.
- c. **Commission Decision 18-10-012:** In this decision, the Commission approved a rate increase for one-way base passenger tickets on a VCC authorized to transport people and baggage from Coronado to San Diego. The Commission allowed an increase to the VCC’s rates from \$4.75 to \$5.00, which would allow the VCC to avoid projected minimal loss of \$1,339 and actually increase its profits by 5.36%. The Commission, citing numerous prior decisions, noted that it had approved similar rate increases whereby the projected operating profits fall below 10%.⁷
- d. **Commission Decision 16-12-048:** In this decision, the Commission approved a rate increase for passenger tickets on a VCC authorized to carry passengers on the San Francisco Bay. Without the increase, the operating and general/administrative expenses for the service were projected to result in a net loss of \$649,111 for 2016. With the increase, the net loss would decrease by \$192,145. The Commission noted that contributing factors to the Applicant’s net losses were increased costs of vessel crew labor, vessel repair, rent and occupancy, and facilities and marketing, among other things.
- e. **Commission Decision 15-03-028:** In this decision, the Commission increased ticket prices on a VCC offering passenger service on San Diego Bay. The Commission approved the rate increase because of the following factors, among other things: (1) recent net revenue loss, (2) substantial higher maintenance costs for vessels, (3) increased terminal expenses, (4) increased insurance costs, and (5)

⁷ This is in line with IBS’s requested rate increase.

increased salaries for employees. These prior decision support Applicant's request for fare increase here.

**OVERVIEW OF FINANCIAL DATA AND PROJECTIONS SUPPORTING THE
REQUESTED FARE INCREASES.**

13. **Historic Reporting.** The Applicant has prepared a series of Schedules stating in an organized fashion data on the actual operating income and expenses for this Service and the projections for operating income and expenses in 2022, and for 2023 with and without the requested fare increases.

14. **Exhibits A-1 and A-2** present the actual operating income and expenses for 2021.

15. **Exhibits B-1 & B-2** present Applicant's Balance Sheet and Income Statement from January 1, 2022 through December 31, 2022, reflecting actual performance for the seven month period January 1, 2022 through July 31, 2022 and projections for the remainder of the year.

16. **Exhibit C** presents the full accounting of the projected income and expenses for 2022 using the full accounting assumptions with and without an increase in the tariff rates for the vessels.

17. **Exhibit D** contains a statement of the presently effective rates, fares, tolls, rentals and charges.

18. **Exhibit E** contains a schedule of the proposed increases in rates and the impact that those increases will have in Applicant's revenue for 2023.

19. **Exhibit F** contains a general description of the vessels IBS charters for the Service, and a statement of the original costs thereof. This Exhibit also shows the portions of IBS's total Reserve for Depreciation of Vessels that are allocated to the Service. (C.C.R. 3.2(a)(4)).

20. **Summary Overview of Supportive Documentation.** The documentation included in Exhibits A through F provide ample data and careful calculations of projections sufficient to support the justifications for the requested base passenger fare increases.

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**REQUEST FOR AUTHORITY TO ADJUST FARES WITHIN A ZONE OF RATE
FREEDOM (“ZORF”)**

21. Public Utilities Code section 454.2 provides that “the commission may establish a “zone of rate freedom” for any passenger stage transportation service which is operating in competition with other passenger transportation service from any means of transportation, if the competition with the authorized zone of rate freedom will result in reasonable rates and charges for the passenger stage transportation service. An adjustment in rates or charges within a zone of rate freedom established by the commission is hereby deemed just and reasonable.”

22. In Decision 16-09-045, issued on October 4, 2016, the Commission granted two vessel common carriers’ requests for authority to adjust their fares for services on routes on San Francisco Bay within a ZORF, namely PROPSF, LLC’s request to adjust fares by 15 percent above and below its base fares under a ZORF and Tideline Marine Group, Inc.’s request to adjust fares by 20 percent above and below its base fares under a ZORF. ZORF authority for vessel common carriers was first established by Decision 98-12-016 that granted ZORF authority where the Commission found that there was competition for the applicant’s services by substantially similar vessel common carriers and based its finding on the legal conclusion that it was “consistent with reliance upon competition to regulate the transportation marketplace, where competition exists between substantially similar carriers.” (D.98-12-2016; Finding of Fact 2 and Conclusion of Law 3). This Decision also noted that the carrier requested flexibility because of seasonable factors including impacting ridership such as the weather and storms.

23. However, in 2016 the Commission considered whether the facts of the case for PROPSF and Tideline merit the grant of rate flexibility. The Commission noted that “[t]he undisputed fact is that there is a robust market for commuter services between the points to be served by PROP and Tideline, including public transit, Charter party carriers and private transportation. While PROP’s and Tideline’s proposed services unique opportunity to avoid the commute traffic on Bay Area highways, the existing market is sufficiently robust so that applicants’ exercise of rate flexibility is unlikely to undermine it. Under these circumstances, it is reasonable to allow PROP and Tideline to the rate of flexibility to determine fares based on market forces. (D. 16-09-045, in Section 5, Zone of Rate Freedom, p. 10.)

24. The facts are similar in this present case which support a grant of rate flexibility to the Applicant. There are other means of transportation between Avalon and Two Harbors,

from other private carriers. Catalina Taxi and Tours, a private car taxi charges \$250 between Avalon and Two Harbors one way. Catalina Express at times provides a water ferry service between Avalon and Two Harbors at \$26.00/ticket (with a ZORF). Additionally, the Conservancy Bus also provides service seasonally between Avalon and Two Harbors at \$59.00 one way. Allowing Applicant a ZORF would allow Applicant flexibility as it contends with seasonal demand and expenses.

25. As Applicant's source of income from fares is its only source of revenue for this service and there is a slight margin between operating profit and expenses, it is reasonable to grant Applicant the flexibility to increase fares should the need arise. It is justified and reasonable to grant the Applicant's request for ZORF up to twenty percent above its rates, as long as prior notice is provided to the public at least ten days prior to the effective date of the planned rate adjustment.

NO SUBSTANTIAL IMPACT FOR PASSENGERS.

26. The requested passenger fare increases for adult and children are modest increases given that it is the first request in over twenty years. This Service is primarily utilized by visitors to Santa Catalina Island and serves as a method of transportation for tourists to travel to and from Avalon and Two Harbors. If the Commission grants the ZORF authority and the Applicant should exercise the ZORF authority to adjust its fares up to twenty percent (20%) above its base fare, a twenty percent (20%) increase over the adult passenger fare which would not be a substantial burden on the passengers of this service. The ticket prices and ZORF are consistent with the rates charged by Catalina Express for a similar on-call individual fare service and authorizations granted by the Commission. Furthermore, the ticket price increase is consistent with inflation and increased operating costs since the original rates were authorized.

NO SUBSTANTIAL IMPACT ON OTHER VESSEL COMMON CARRIERS

27. As described above, the rate increase would not have a substantial impact on other vessel common carriers. Catalina Express at times offers an on-call individual fare service at rates that we understand to be \$26 each way. The requested rate increase would only bring Applicant's rate in line with that charged by other entities (offering transportation by vessel, taxi and bus).

NO ADVERSE ENVIRONMENTAL IMPACT.

28. It can be seen with certainty that there is no possibility that the granting of this Application for base passenger fare increases will not have an adverse effect upon the physical environment because it does not involve any changes in the Applicant's vessel operations or docking arrangements or service.

NOTICE AND PUBLICATION.

31. In accordance with Rule 3.2(b) of the Commission's rules, Applicant has prepared a notice of the filing of this application which states, in general terms, the zone of rate freedom and passenger fares for which Commission approval is sought. A copy of that notice is attached to this Application and will be mailed on the same day as the application is sent for filing to the appropriate county and city officials as listed on the service list also attached to this application. Applicant shall also mail a copy of the application to any other person making a request, or as may be requested by the Commission.

32. Applicant has verified the information contained in the application and the facts and legal basis are sufficiently demonstrated for the application to be granted on an *ex parte* basis which Applicant requests.

33. Short notice authority under Section 491 of the Public Utilities Code is requested so that the proposed new base passenger fares can be published as soon as possible upon authorization.

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JUSTIFICATION FOR SHORT NOTICE.

34. Short notice authority under Section 491 of the Public Utilities Code is requested so that the proposed new base passenger fares can be published as soon as possible upon authorization. This Application is one which may be handled under the Commission's *ex parte* procedure for immediate approval, because there will be no adverse impacts on any other vessel common carrier.

Respectfully submitted,

Dated: January 30, 2023

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Attorneys for Island Boat Service

VERIFICATION

I, Kevin McKee, am the Chief Financial Officer of ISLAND BOAT SERVICE, and I am authorized to make this verification on its behalf. The factual statements in the foregoing document are true of my own knowledge, except as to matters regarding citations to prior Decisions of the Commission as precedents or sources of guidance for which I am relying on our company's attorney, and as to those matters I believe them to be true. For financial data and projections herein, I am relying on the work of accountants and analysts in our company's employment, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 19, 2023 in Irvine, California.

Kevin McKee

AUTHORIZATION OF REPRESENTATIVE

I, Kevin McKee hereby declare:

I am the Chief Financial Officer of ISLAND BOAT SERVICE, a California corporation, the Applicant herein, and I have the authority to make this Authorization of Representative on its behalf.

I hereby authorize Tara Voss, Esq. and Ann Piper, Esq., of Peacock Piper Tong + Voss LLP with its principal place of business located at 100 West Broadway, Suite 610, Long Beach, CA 90802, to represent Island Boat Service in this proceeding and to file documents and speak on behalf of the Applicant in this proceeding.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 19, 2023, at Irvine, California.

Kevin McKee

**INDEX TO EXHIBITS TO ISLAND BOAT SERVICE'S APPLICATION FOR FARE
INCREASES ON ITS VESSEL COMMON CARRIER SERVICE**

Exhibit A-1	Island Boat Service's Income and Expenses for the Service as Reported for 2021
Exhibit A-2	Island Boat Service's Final Income and Expenses for the Service for 2021
Exhibit B-1	Island Boat Service's Balance Sheet for the Service for 2022
Exhibit B-2	Island Boat Service's Income Statement for the Service for 2022
Exhibit C	A Full Accounting of the Projected Income and Expenses for the Service for 2023 with and without an Increase in the Charter Rate
Exhibit D	Statement of Presently Effective Rates, Fares, Tolls, Rentals and Charges
Exhibit E	Schedule of Proposed Increased Rates and Impact on Revenue for 2023
Exhibit F	List of the Vessels currently utilized for the Service

EXHIBIT A-1
ISLAND BOAT SERVICE'S INCOME AND EXPENSES
AS REPORTED FOR 2021

Account No.	Accounts	
	I-WATER-LINE OPERATING INCOME	
300	Water-line operating revenues (Schedule B-1)	\$414,031
400	Water-line operating expenses (Schedule B-2)	\$762,682
	Net revenue from water-line operations	-\$348,651
	II-OTHER INCOME	
502	Income from noncarrier operations	\$4
503	Dividend Income	
504	Interest Income	
505	Income from sinking and other special funds	
506	Release of premium on long term debt	
507	Miscellaneous income	
508	Profits from sale or disposition of property	
	Total other income	\$4
	Total Income	-\$348,647
	III-MISCELLANEOUS DEDUCTIONS FROM INCOME	
523	Expenses of noncarrier operations	
524	Uncollectible accounts	
525	Losses from sale or disposition of property	
526	Maintenance of investment organization	
527	Miscellaneous income charges	\$0
	Total income deductions	\$0
	Ordinary income before fixed charges	-\$348,647
	IV-FIXED CHARGES	
528	Interest on funded debt	
529	Interest on unfunded debt	
530	Amortization of discount on long-term debt	
	Total fixed charges	\$0
	Ordinary income before provision for income taxes	-\$348,647
	V-PROVISION FOR INCOME TAXES	
532	Income taxes on ordinary income	\$0
	Ordinary income	-\$348,647
570-90	Extraordinary and prior period items, net	
	Net income	-\$348,647

EXHIBIT A-2
ISLAND BOAT SERVICE'S INCOME AND EXPENSES
FINAL FOR 2021

	Discover Two Harbors
<i>Trips:</i>	576
<i>Total Pax:</i>	30,199
<i>Average Occupancy:</i>	52%
<i>Published Rate</i>	\$15.00
<i>% Tour Volume of Total</i>	32%
	Year Ending 12/31/2021
	Actual
Revenue	<u>414,031</u>
Controllables	
Salaries & Wages	66,586
Payroll Taxes & WC	5,308
Health & Benefits	11,389
Equipment & Leases	328
Operating Supplies	
<i>Oper Supplies</i>	13,048
<i>Uniforms</i>	1,291
<i>Fuel & Lubricants</i>	52,430
Total Operating Supplies	66,769
Postage & Shipping	649
Outside Services	20,506
Commissions & CC Fees	23,494
Repairs & Maintenance	63,137
Utilities	195
Rent & Dockage	2,039
Travel	529
Seminars & Training	169
Licenses, Permits & Fees	1,423
Miscellaneous Controllables	2,290
Total Controllables	<u>264,810</u>
Controllable Profit (\$)	<u>149,221</u>
<i>Depreciation</i>	187,338
<i>Insurance</i>	100,997
<i>Property Tax</i>	7,024
Total Fixed Cost	<u>295,359</u>
Non-Operating Income	<u>4</u>
Net Income Before Taxes (\$)	<u>(146,134)</u>
Additional Overhead Cost	
Activities Administration	160,910
Sales Ticketing Administration	74,251
Annual CapEx Reserve at 4% of Revenue	16,561
Total Net Income with Allocated Cost	(397,856)

Note accumulated profit allows for continued capital investment, refurbishment, and maintenance for the vessel

EXHIBIT B-1 **ISLAND BOAT SERVICE'S BALANCE SHEET (2022)**

Annual Statement

Projected through December 31, 2022 (7 months of actual performance through 7/31)

	Discover Two Harbors
<i>Trips:</i>	548
<i>Total Pax:</i>	27,247
<i>Average Occupancy:</i>	50%
<i>Published Rate (not inc. discounts):</i>	\$15/\$18
<i>% Tour Volume of Total</i>	30%
	Year Ending
	12/31/2022
	Actual
Revenue	451,038
Gross Profit (\$)	
Controllables	
Salaries & Wages	99,254
Payroll Taxes & WC	7,658
Health & Benefits	17,114
Equipment & Leases	664
Operating Supplies	
<i>Oper Supplies</i>	14,127
<i>Uniforms</i>	2,041
<i>Fuel & Lubricants</i>	123,458
Operating Supplies	139,625
Postage & Shipping	744
Outside Services	9,412
Commissions & CC Fees	9,184
Repairs & Maintenance	50,951
Utilities	151
Rent & Dockage	1,941
Travel	797
Seminars & Training	95
Licenses, Permits & Fees	944
Miscellaneous Controllables	1,224
Total Controllables	339,760
Controllable Profit (\$)	111,278
<i>Depreciation</i>	160,865
<i>Insurance</i>	99,288
<i>Property Tax</i>	7,315
Fixed	267,469
Operating Income (\$)	(156,191)
Non-Operating Expense	-
Net Income Before Taxes (\$)	(156,191)
 Additional Overhead Cost	
Activities Administration	182,927
Sales Ticketing Administration	73,981
CapEx Reserve at 4% of Revenue	18,042
Total Net Income with Allocated Cost	(431,140)

Note accumulated profit allows for continued capital investment, refurbishment, and maintenance for the vessel

EXHIBIT B-2

ISLAND BOAT SERVICE'S INCOME STATEMENT (2022)

PROJECTED THROUGH DECEMBER 31, 2022 (7 MONTHS ACTUAL

PERFORMANCE THROUGH 7/31/2022)

	Year To Date 12/31/2022 (projected)
	YTD
Revenue	\$451,038
Gross Profit (\$)	\$451,038
Controllables	
Salaries & Wages	\$99,254
Payroll Taxes & WC	\$7,658
Health & Benefits	\$17,114
Equipment & Leases	\$664
Operating Supplies	\$139,625
Postage & Shipping	\$744
Outside Services	\$9,412
Activities/Sales Agents	\$256,908
Commissions & CC Fees	\$9,184
Repairs & Maintenance	\$50,951
Utilities	\$151
Rent & Dockage	\$1,941
Travel	\$797
Seminars & Training	\$95
Licenses, Permits & Fees	\$944
Miscellaneous Controllables	\$1,224
Total Controllables	596,666
Controllable Profit (\$)	-\$145,628
Fixed	
Depreciation	\$160,865
Insurance	\$99,288
Property Tax	\$7,315
Operating Income (\$)	-\$413,096
Net Income Before Taxes (\$)	-\$413,096

EXHIBIT C

A FULL ACCOUNTING OF THE PROJECTED INCOME AND EXPENSES FOR THE SERVICE FOR 2023 WITH AND WITHOUT AN INCREASE IN THE CHARTER RATE

Projected through December 31, 2023

	Discover Two Harbors With Rate Increase	Discover Two Harbors Without Rate Increase
<i>Trips:</i>	548	248
<i>Total Pax:</i>	27,247	27,247
<i>Average Occupancy:</i>	50%	50%
		<i>* Combined average of rate with and without temporary increase</i>
<i>Published Rate (not inc. discounts):</i>	\$33.00	\$16.50
<i>% Tour Volume of Total</i>	30%	30%
	Year Ending 12/31/2022	Year Ending 12/31/2022
Revenue	899,161	449,576
Gross Profit (\$)		
Controllables		
Salaries & Wages	99,254	99,254
Payroll Taxes & WC	7,658	7,658
Health & Benefits	17,114	17,114
Equipment & Leases	664	664
Operating Supplies		
<i>Oper Supplies</i>	14,127	14,127
<i>Uniforms</i>	2,041	2,041
<i>Fuel & Lubricants</i>	123,458	123,458
Operating Supplies	139,625	139,625
Postage & Shipping	744	744
Outside Services	9,412	9,412
Commissions & CC Fees	9,184	9,184
Repairs & Maintenance	50,951	50,951
Utilities	151	151
Rent & Dockage	1,941	1,941
Travel	797	797
Seminars & Training	95	95
Licenses, Permits & Fees	944	944
Miscellaneous Controllables	1,224	1,224
Total Controllables	339,760	339,760
Controllable Profit (\$)	559,401	109,816
<i>Depreciation</i>	160,865	160,865
<i>Insurance</i>	99,288	99,288
<i>Property Tax</i>	7,315	7,315
Fixed	267,469	267,469
Operating Income (\$)	291,933	(157,653)
Non-Operating Expense	-	-
Net Income Before Taxes (\$)	291,933	(157,653)
Additional Overhead Cost		
Activities Administration	182,927	182,927
Sales Ticketing Administration	73,981	73,981
CapEx Reserve at 2% of Revenue	17,983	17,983
Total Net Income with Allocated Cost	17,042	(432,544)
Percent Profit	1.90%	Loss
Cost Per Ticket to Breakeven	32.37	
Cost Per Ticket to 10% Profit	35.97	

Note accumulated profit allows for continued capital investment, refurbishment, and maintenance for the vessel

EXHIBIT D
STATEMENT OF EFFECTIVE RATES, FARES, TOLLS, RENTALS AND CHARGES
FOR THE TIME PERIOD JULY 1, 2022 – JUNE 22, 2023⁸

Standard Fares (Excluding Fees and Taxes)	
	One Way
Adult	\$18.00
Child	\$18.00
Infant	-0-

STATEMENT OF TARIFF RATES, FARES, TOLLS, RENTALS AND CHARGES
WITHOUT THE TEMPORARY RATE INCREASE

Standard Fares (Excluding Fees and Taxes)	
	One Way
Adult	\$15.00
Child	\$15.00
Infant	-0-

⁸ The Public Utilities Commission approved Commission Resolution TL-19139 which provided a 20% fuel surcharge increase in fare service for the limited time period of July 1, 2022 – June 22, 2023. Raising the cost of a one way fare from \$15.00 to \$18.00.

EXHIBIT E
SCHEDULE OF PROPOSED INCREASED RATES AND IMPACT ON REVENUE
FOR 2023

ITEM	2021 No. of Tickets	2021 Fare	2021 Revenue	2022 Projected No. of Tickets	2022 Fare	2022 Projected Revenue	TNY* Projected No. of Tickets	TNY* Proposed Fare	TNY* Projected Revenue
Tickets	30,199	Adult and Child \$15.00 Bike/Surfboard \$3.00 After June	\$414,031	27,247	Until June 30, 2022 - Adult and Child \$15.00 Bike/Surfboard \$3.00 July 1, 2022 – June 22, 2023 Adult and Child \$18.00 Bike/Surfboard \$3.60	\$451,038	27,247	Adult and Child \$33.00 Bike/Surfboard \$8.00	\$899,161

*TNY: Theoretical New Year: projections assume fare increase effective for entire year.

EXHIBIT F

LIST OF VESSELS

1. VESSEL DESCRIPTION

Line No.	Name or Designation of Vessel	Owned (O)	Year	Year	Rated	Type of	Licensed Capacity		
		Leased (L)	Built	Purchased	hp	Vessel	Pass.	Veh.	Fr.
1 (a)	In Operation								
2	Moonstone	L	1987	1987	300		50	n/a	n/a
3	Ribcraft	L	2009	2013	450		12	n/a	n/a
4	Cyclone	L	1997	2016	1350		100	n/a	n/a
5	Emerald	L	1993	1995	230		42	n/a	n/a
6	Seawolf	L	1994	1994	370		40	n/a	n/a

2. STATEMENT OF ORIGINAL COST AND DEPRECIATION RESERVE

Vessel	Acquisition Date	Description	Acquired Value	Accumulated Depreciation thru 10/31/21	Net Book Value as of 10/31/21
Moonstone	07/01/1987	Original Moonstone Purchase	\$286,772.00	\$246,145.96	\$40,626.04
	04/01/2009	Repower the Moonstone Engines (2)	\$47,512.52	\$47,512.52	\$0.00
		Totals	\$334,284.52	\$293,658.48	\$40,626.04
Emerald	07/01/1995	Original Emerald Purchase	\$463,310.00	\$463,310.00	\$0.00
	07/01/1997	GENERATOR/EMERALD	\$9,210.00	\$9,210.00	\$0.00
	07/01/1998	CUMMINS DIESELS	\$25,405.00	\$25,405.00	\$0.00
	04/15/2002	Replace Outdrives on the Emerald	\$55,890.11	\$55,890.11	\$0.00
	06/01/2020	Emerald Repower	\$198,245.12	\$40,121.03	\$158,124.09
		Totals	\$752,060.23	\$593,936.14	\$158,124.09
Seawolf	07/01/1994	Original Starlight Purchase	\$733,748.00	\$733,748.00	\$0.00
	07/15/2011	Starlight to Seawolf Rebranding	\$99,266.50	\$99,266.50	\$0.00
	01/01/2012	Starlight to Seawolf Rebranding	\$7,405.80	\$7,405.80	\$0.00
	05/15/2012	Seawolf Engine & Generator Repower	\$47,368.79	\$47,368.79	\$0.00
		Totals	\$887,789.09	\$887,789.09	\$0.00
Ribrunner	07/10/2012	Original Ribrunner Purchase	\$270,814.92	\$270,814.92	\$0.00
	12/20/2015	Ribrunner Repower (2) Engines	\$56,744.40	\$33,100.90	\$23,643.50
	02/18/2018	Ribrunner Motor Replacements (2 qty)	\$55,637.41	\$29,143.40	\$26,494.01
		Totals	\$383,196.73	\$333,059.22	\$50,137.51
Cyclone	05/10/2017	Original Cyclone Purchase	\$823,905.28	\$325,757.38	\$398,147.90
	05/10/2017	Cyclone - Life Rafts	\$9,902.65	\$4,456.21	\$5,446.44
	05/04/2018	Cyclone Repower (2 engines)	\$797,703.49	\$398,851.74	\$398,851.75
	09/30/2018	Disposal of old engines	-\$100,000.00	\$0.00	\$0.00
		Totals	\$1,531,511.42	\$729,065.33	\$802,446.09

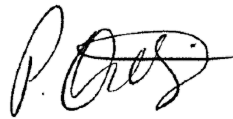
CERTIFICATE OF SERVICE BY MAIL

I am a citizen of the United States over the age of eighteen years, and I am not a party to this proceeding. I am an employee of Peacock, Piper, Tong + Voss LLP located at 100 W. Broadway, Suite 610, Long Beach, CA 90802. On the date stated below, in Los Angeles County, which is the county of my employment, I served the following document:

Application of Island Boat Service (VCC-80) For Authorization to Increase Passenger Fares on Its Vessel Common Carrier Service on Catalina Island and for Zone of Rate Freedom

on interested parties by placing a true copy thereof enclosed in a sealed envelope on January 30, 2023 by mail with postage thereon fully prepaid, in Long Beach, California, addressed as on the attached Service List.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed at Long Beach, California on this 30th of January 2023.



R. PRISCILIA ORTIZ-MIELES

SERVICE LIST

Office of the Los Angeles County Counsel, Mary C. Wickham 500 West Temple Street, Room 358 Kenneth Hahn Hall of Administration Los Angeles, CA 90012	Clerk of the Los Angeles County Board of Supervisors 500 West Temple Street, Room 358 Kenneth Hahn Hall of Administration Los Angeles, CA 90012
City of Avalon City Attorney, Scott Campbell P.O. Box 707 Avalon, CA 90704	City of Avalon City Clerk, Denise Radde P.O. Box 707 Avalon, CA 90704